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SUBJECT: BELARUS WEEKLY POL/ECON REPORT - SEPTEMBER 18, 2009
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¶1. The following are brief items of interest compiled by
Embassy Minsk.

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Civil Society

2 GOB, Lithuania Defer Agreement on Simplified Border Crossing

Chiefs of the Belarus and Lithuania border agencies signed a border agreement. The document outlines procedures for maintenance of the shared border, movement of goods, economic and other activities at the border zone and resolution of incidents. According to the Lithuanian MFA spokesperson, Lithuania and GOB did not endorse an agreement on visa-free travel between the two countries within the 50-kilometer border zone because the GOB ostensibly "requested additional time to finalize internal procedures." (BelaPAN, Delfi.lt, September 16)

13. GOB Continues to Harass and Fine Opposition Activists

A Vitebsk district court fined on September 15 Sergey Kovalenko, local Conservative Christian Party member, \$375 for allegedly displaying an opposition white-red-white flag. Police detained and questioned Kovalenko and his associate Taras Surgan, a Young Belarus activist, on September 14. In a separate incident on September 14, a Minsk district court fined "European Belarus" civil campaign activist Maksim Sergiyets \$250 for participating in a September 9 rally against the Russian-Belarusian military exercises named Zapad-2009. In another case in Mozyr, civil society activist Pavel Nozdrya was fined \$37 for allegedly violating military registration procedures. A local draft office claimed that Nozdrya failed to timely notify them that he had changed a place of his employment.

14. Riot Police Disperse an Opposition Demonstration Yet Again

Riot police dispersed yet another unauthorized opposition rally, this one marking the 10th anniversary of high-profile disappearance in downtown Minsk on September 16. EMBOFFs observed that as in a similar incident on September 9, law enforcement officers surrounded the protesters 10 minutes after they had assembled at the site and shoved about 35 of them into police buses. They also impeded journalists taking pictures of the dispersal. All the protesters were reportedly released with no charges after a three-hour detention; however, many of the activists report being assaulted, harassed, threatened with physical abuse, and forced to give fingerprints. In a separate incident in Gomel, police detained 16 local activists on their way to a rally venue on September 16. Ten were charged with holding an unsanctioned demonstration and released three hours later. They maintained that they would appeal their detention to the prosecutor's office.

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Economy

15. Customs Union to Fine-tune Distribution of Import Incomes

According to media reports, the Executive Secretary of the Commission of the Belarus, Russia and Kazakhstan Customs Union Sergei Glaziev stated on September 14 that import incomes of the Union will be distributed based on macroeconomic criteria that have yet to be identified. The three member-states will reportedly work independently in their national currencies but later funds will be deposited into a single account. Export duties, however, will be contributed directly to the budget. The Union expects to reach an agreement on a unified tariff by November of this year with the goal of it taking effect on January 1, 2010. The single Customs Code is expected to come into effect on July 1, 2010. Customs law of the Union will include both the Customs Code and decisions of the Commission.

16. IMF Issued \$448.7 Million Worth of Special Drawing Rights to Belarus

Natalya Kolyadina, IMF Resident Representative in Minsk, told Prime-TASS news agency on September 11 that the IMF has assigned \$448.7 million worth of Special Drawing Rights (SDR) to Belarus beyond the Stand-by Arrangement (SBA) lending program. The intent is to boost Belarus foreign reserves during the global financial crisis.

17. Issuance of WB loan Will Depend on Belarus' Compliance With Its IMF SBA

The World Bank Resident Representative in Belarus, Ivan Velez, told the journalists on September 11 that the WB Board of Directors will consider a \$200 million Development Policy Loan (DPL) for Belarus in late autumn 2009. Should Belarus fall short of the targets set in the IMF's Stand-by Arrangement

(SBA), "it would slow the DPL project," the official added.

18. WB and IFC Praise GOB for Reforming Economy But Make it Clear "There is Still Room For Improvement"

Neil Gregory, Acting Director of the WB-IFC Indicators and Analysis praised the GOB's steps to streamline business conditions and encouraged the GOB to continue reforms. He added that the GOB has committed to further progress in providing access to loans, protecting investors, boosting foreign trade and liberalizing its taxation policy. At the same event, the International Finance Corporation's Representative in Belarus Craig Bell noted that approximately 51% of small and medium businesses in Belarus had not seen any improvements in administrative procedures, 37% noted improvements, and 12% described procedures as "more difficult."

19. GDP Registers First Decline Since 1995

The National Statistics Committee informed the media on September 11 that Belarus' GDP through August was \$30.8 billion, which marked 0.5 percent decrease year-on-year, the first decline registered since 1995. Last year the economy registered a 10% GDP increase.

10. Finance Ministry Posted 1.3 Percent Budget Deficit Through July

A source in the Finance Ministry told Prime-TASS news agency on September 15 that the national budget deficit for the period of January-July 2009 was at 1.3% of the GDP. The national budget reflects spending and revenues of the central administration, while the consolidated budget also includes local budgets. Lukashenka signed a decree on May 28 adjusting the budget parameters for 2009, increasing the foreign debt limit from \$2 billion to \$8 billion. He also approved a zero-deficit budget for 2009, reducing revenues by almost \$3 billion to \$16.7 billion, and expenditures by \$4 billion to \$16 billion.

11. Vice Premier: Fewer, But More Efficient Business Inspections

According to media reports, Deputy PM Andrey Kobayakov stated that the 2009 suspension of business inspections and temporary changes in scheduling procedures have reduced the actual number of inspections while increasing their efficiency. The tax agencies cut their inspections by 44.5% and the State Control Committee by 33.5%.

12. Lukashenka Streamlines Granting State Support to the Needy

According to the Presidential press service, Lukashenka approved new procedures for granting state support to individuals in the areas of social allowances and non-cash housing subsidies. The change, to come in to effect on January 1, 2010, will streamline and simplify regulations for filing applications and allocating state support. It will also raise the minimum criterion of need

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required for receiving aid.

13. Joint Military Exercise Starts in Belarus

The Zapad-2009 (West-2009) joint Russian-Belarusian military exercise kicked off in Belarus September 18 to test both countries' capabilities to ensure their Union State's security and readiness to repel a possible military aggression. The exercise will continue until September 29 and will involve 12,600 Russian, Belarusian and Kazakh servicemen.

Quote of the Week

14. Answering questions of journalists in Vilnius on September 16, Lukashenka referred to Europeans' negative attitude towards

Belarus' electoral code, process and elections, and offered:

"Pay money - \$15 million. This is not big money for you.
Organize elections in Belarus and their results will be legally
binding to me."
PUTZ